



THE UNIVERSITY *of* EDINBURGH

Edinburgh Research Explorer

The conception of organisational fraud

Citation for published version:

Maulidi, A & Ansell, J 2020, 'The conception of organisational fraud: The need for rejuvenation of fraud theory', *Journal of Financial Crime*, vol. N/A. <https://doi.org/10.1108/JFC-09-2020-0180>

Digital Object Identifier (DOI):

[10.1108/JFC-09-2020-0180](https://doi.org/10.1108/JFC-09-2020-0180)

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Peer reviewed version

Published In:

Journal of Financial Crime

General rights

Copyright for the publications made accessible via the Edinburgh Research Explorer is retained by the author(s) and / or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy

The University of Edinburgh has made every reasonable effort to ensure that Edinburgh Research Explorer content complies with UK legislation. If you believe that the public display of this file breaches copyright please contact openaccess@ed.ac.uk providing details, and we will remove access to the work immediately and investigate your claim.



THE CONCEPTION OF ORGANISATIONAL FRAUD: THE NEED FOR REJUVENATION OF FRAUD THEORY

Abstract

Purpose: The paper challenges some of the underlying concepts about causation of fraud and in doing so enriches knowledge and insight into the management of fraud.

Methodology: This study is a part of fieldwork carried out in Indonesia.

Findings: Organisational fraud is an exceptional type of crime. Hence, the underlying antecedents and consequences of fraud in organisation are distinct from other crimes, especially violent crimes. The underlying logic in criminological and sociological theories and literature cannot fully explain the causal factors of fraud in the organisation. This leads to a theoretical discussion about the reconstruction of the fraud theory. Implications and suggestions for further studies are discussed in this study.

Originality/value: This study provides a new understanding of fraud and its antecedents and consequences. In doing so it examines the long-standing debate in criminology and sociology about the theories concerning crime causation, since these areas provide the underlying logic of fraud theory.

Keywords: fraud; the concept of fraud; crime causation, fraud causation.

Introduction

Fraud happening in organisation is unique as a crime. It costs organisations and governments billions in monetary terms, but also has a large effect on its victims. Understanding the antecedents and causation of fraud is therefore crucial since this will allow steps to manage the occurrence of fraud. This paper challenges the theories that currently underpin the prevention strategies providing an alternative formulation. Thus it provides the grounds for developing better prevention strategies.

Crime causation is a significant area within the criminal justice communities (Collins, 2010). A large body of literature has explained the main reasons why crimes happen or why people commit crimes (e.g., Gottfredson and Hirschi, 1990; Sutherland, 1940). Various explanations have been offered to understand such concerns. Some places emphasis on the offender's disposition and mental health issue as being leading causes of crimes (Mcniel et al. 2005;

Gottfredson and Hirschi, 1990; Raine 1993). Others suggests that these elements are debatable as the main attributes of all types of crimes (Scheff, 1963; Maulidi, 2020).

Teplin et al. (1994) explains it is important to differentiate the characteristics of violent and non-violent crimes when exploring causation. For non-violent crime, Monahan, (1992), argues mental disorders cannot be generalised as main reasons. These authors highlight that causation due to mental illness most prevalently are clustered around 'violent crimes' (Teplin et al. 1994; Monahan, 1992), for example, but not limited to 'murder' (Declercq and Audenaert, 2011), 'rape' (Porter et al. 2000), and 'burglary' (Cornell et al. 1996).

Within fraud studies, many scholars (e.g., Dorminey et al. 2010, 2012; Choo and Tan, 2007) overlook the fundamental distinction between violent and non-violent crimes. As such they characterise fraud as being similar to violent crimes. Violent crime, though, is always labelled as 'a predatory crime' in which an offender or perpetrator always threatens the victim. This statement has been supported by Power (2013) mentioning that fraud should be categorised as non-violence crime, involving a complex illicit scheme, meant to confuse investigators if characterising fraud as violent crimes. From this perspective, we believe this has led to a false characterisation of causes of fraud and as such does not deal with the complexities of the management of fraud. The wrong assumption about causation leads to creation of inappropriate interventions. Lokanan (2018) widens the debate by arguing that fraud studies should explore situational factors affecting behaviour taking on account of micro-psychological aspects of individuals.

We think, a fundamental review is necessary to reconstruct the existing reasoning of fraud studies. So we offer a new conceptualisation of fraud which provides further clarification of the potential causal factors of fraud, especially in the context of organisations. This conception is primarily focussed on the psychological-causal factors of crimes, such as frauds, taking account of criminological theories. Early work on fraud theory was developed via criminology such as the fraud triangle (Albrecht, 2014). Whilst criminology has provided a wide range of perspectives on crime; definition and causation. The distinctiveness of fraud from other crimes is such that there is a need to be such a new conceptualisation. Initially, the discussion provides the theoretical concerns from not making the distinction between fraud and other crimes. Starting with a definition of fraud, the issues around fraud is discussed especially in an organisational setting. Then we propose a deepening of fraud theory and with implications for the management of fraud. As such we provide new directions for fraud studies which broaden the conceptualisation.

Fraud definition

Research shows there is a fundamental misconception concerning the way people define the term fraud. Rossouw (2000) argues the words fraud and corruption are always used *interchangeably* to describe the phenomenon of unlawful financial acts. Fundamentally the words fraud and corruption are different, for example in terms of the necessity of third-party involvements in fraud (Rossouw, 2000). Yet most of research neglect this element.

The difficulty is there is no agreement within the accounting and auditing literature on a universally accepted definition of fraud. The difference in the definition is due to the existence of social or civic values. There is, however, within the existing definitions some overlap. Primarily around the concept of unlawful acts. For example, research completed by Soltani (2014), who compared the cases of organisation failures happening in American and European firms. He took three sample firms from both areas as a basis of his analysis; the three American firms were “Enron, WorldCom and HealthSouth,” and the three European ones were “Parmalat, Royal Ahold, and Vivendi Universal.” From his analysis, he argues that the key factors contributing to the financial scandals in both American and European firms are attributed to “the features about poor ethical climate, greed, corruption, fraud, management misconduct, earnings management.”

In his analysis, Soltani (2014) tries to juxtapose the term fraud with corruption and other unlawful acts. In separate work produced by Transparency International UK (2011), it is stated that the word fraud is one of the corruption typologies. However, if we refer to the etymology for the word fraud, Soltani (2014) work have an overlapping interpretation for describing the word fraud. According to ACFE (2018), the word fraud is used to accommodate the types of financial scandals and the intentional abuse of the organisation’s tangible resources, with the primary motive for personal enrichment. The term fraud used by ACFE encompasses three broad fraud categories, such as “corruption,” “asset misappropriation,” and “financial statement fraud”. Moreover, each category has subclasses, which is well-known as ‘fraud tree.’ Then if we look at the definition of fraud in the *Oxford English Dictionary*, it is an act and instance of deception for the sake of self-interests. So, it is reasonable if it is argued that the term fraud is an umbrella for any action or practice of concealing or misrepresenting the truth. It is no matter whether its motive is financial or non-financial purposes.

It is important to illustrate these misunderstandings or misinterpretation. Discussing these may be productive for suggesting a flawed analysis of the explanation of the antecedences of fraud in organisation.

Criminal theories mostly adapted in fraud studies

Gottfredson and Hirschi (1990), who propose a general theory of crime, explain the causal factors of crimes happening in a wide range of societies. The proposed theory suggests that all forms of crime are highly likely correlated with individual failure in regulating his or her psychological factors. In other words, people who have a lack of self-control, as explained by Gottfredson and Hirschi (1990), are potentially benefit from the existence of opportunistic conditions. Gottfredson and Hirschi acknowledge that a lack of self-control arise as consequences of parenting failures in supervising the child's behaviours. As a result, people who are raised in conducive family environments are highly *unlikely* to commit criminal acts (Tittle et al. 2003).

In a general theory of crime, the circumstances and social climate conditions within families have broad social consequences for children and contribute to a loss of a sense of community. As such, according to Gottfredson and Hirschi (1990) family environment in early childhood can be used to determine people's level of self-control. Although this theory have many supporters, it is still problematic in certain instances. Indeed, researchers who are aligned to the general theory of crime argue that an interaction processes between the opportunity and weak self-control is seen as the leading cause of crime. For example, Craig and Piquero (2016) analyse people's intention to get involved in three types of crime, such as "embezzlement," "credit card fraud," and "shoplifting." As predicted in their analysis, people appear to engage in three types of crime because they are simply weakened by a lack of self-control failure.

In contrast, another study on the corporate fraud reminds us about the relationship between individual psychologies and situational factors which are centred on the notion of social settings (Levi 2008). Specifically, Levi (2008) indicated that fraud phenomenon is associated with a basic situational mechanism that links individuals and their environment to commit fraud. From his analysis, Levi argues that the propensity to commit crime is associated with psychological and interacting with social settings. Those settings include the interactions between "their rich and varied opportunities, the abilities of perpetrators to recognize and act on those opportunities, and perpetrators interactions with controls, including law enforcement" (Levi, 2008, p. 411). The implications of such, as Levi (2008) explained, are apparent for individuals, whether they may commit fraud or other related offenses. Under these circumstances, fraud is not just a manifestation of low self-control, how individuals perceive their action and social settings leading to a new ways of looking at criminality (Levi 2008).

We would like to argue, Gottfredson and Hirschi (1990) present a too simplified model about crime causation which cannot address all aspect of causation. It cannot comprehensively cover all forms of crime, such as embezzlement, corruption, murder, robbery and rape, with the same antecedences and consequences. For the antecedences of violent crimes may be a lack of self-control, but possibly non-violent crimes may be a more considered act were individuals be more calculating about of committing the crimes, exploring the probabilities and contingencies. The subtle influences for different types of crime cannot be simplified to concepts around the exercise of self-control see Levi (2008).

‘White-collar crime’ also attracted attention from criminologist and sociologists being introduced in the 1939 American Economic Sociology meeting by Sutherland (1940). The term crime in Sutherland’s (1940) article is focused on the crimes happening in economics and business activities (Sutherland, 1940, p. 1). Sutherland’s concept links the cause-and-effect relationships between crimes and social and personal triggers. It is argued that whether a person becomes a criminal or not is better examined in the process of differential association (Sutherland, 1940). The concept of Sutherland’s work emphasises the differentiation between crimes committed by the low and high social status of offenders. With the people motivated to engage in lawbreaking seen as having normal personality structure.

While Sutherland’s (1940) work contributes to the enrichment of the causes of crime, some authors examine the efficacy of Sutherland’s (1940) concept by looking at a life of crime in the organisation (e.g. see Holtfreter, 2005). Holtfreter examines the existence of occupational fraud using conceptualisation of white-collar crime, as introduced by Sutherland (1949). In this study Holtfreter tests two types of fraud perpetrated by individual and organisation. His study addressed the ambiguity concerning the types of people who commit white-collar crimes. Even though Sutherland (1949) have already mentioned “a person of respectability and high social status in the course of his occupation” to define white-collar offender, it was questioned by Holtfreter (2005). Such a phase, as Holtfreter (2005) explained, is unrepresentative for covering the population of white-collar crimes. Holtfreter (2005) identifies a lack of clarity and specificity of several key ingredients in the Sutherland’s (1940, 1949) concept. The Holtfreter’s (2005) study shows that the types of fraud under his investigation are not attributed to the ‘high status of perpetrators,’ for example, asset misappropriation and corruption cases. He claims this results emerges from organisational settings and differences in individual characteristics (e.g., education) that result in provoked and unprovoked inferences to commit specific fraud.

In addition, the offenses committed by person with low-social status do not always result in *insignificant* financial losses. The damage can be more severe than offenses were perpetrated by a person who has high social status. A staff member may come under pressure to make saving. If they work in a pharmacy they may feel that they can substitute a cheap ingredient instead of a more expensive. The consequences may cause harm including endangering life. This could be regarded as a white collar crime. Therefore, definition of a white-collar crime based on the offender's status can be problematic. Our suggestion would be to define it in terms of the consequence of offense/crime. It is not guaranteed that crime committed by people who have high social status can result in a significant negative impact on business activities and societies.

We would argue that we cannot *directly* apply the underlying paradigms in criminal theories when studying fraud in organisation. Holtfreter's (2005) empirically evidence indicates that there is a need to think carefully about individual and organisational characteristics. Importantly, the majority of criminal theories rely on psychology pathologies (Maulidi, 2020). Yet the cases investigated concern robbery, rape, murder, and other physical violent crimes. Fraud is different, in organisation people interact with others on daily basis as such psychology pathologies may fail to explain fraud behaviours. Since the perpetrator is subject to the shared values, beliefs and practices of their workplace.

Development of fraud theory in accounting and auditing literature.

As previously mentioned, a general theory of crime and the concept of white-collar crimes are debateable within in fraud studies. For example, the origin of developing fraud theory, the fraud triangle, was inspired by the works carried out by Sutherland, a criminologist who cited the concept of white-collar crime. In general, the theory of fraud triangle, which is coined by Cressey (1953), an American criminologist, describes why people commit embezzlement? He simplifies the casual factors of unlawful financial acts perpetrated by someone who was entrusted to manage organisational assets – in the formal position, the perpetrator is as an agent or guardian for organisation assets.

Cressey (1953) theorises three components as the underlying factors to explain the motivation behind an individual's decision to commit embezzlement. Those components, such as “pressure”, “opportunity”, and “rationalisation”, work in an interconnected basis and are considered as the precondition for embezzlement to happen. If any one of those components is absent in a given time, individual is highly *unlikely* to commit embezzlement.

If we look further into accounting professions, the “American Institute of Certified Public Accountants” (AICPA) issues Statement on Auditing Standards No. 99. It is dated in 2002 as responses to the biggest accounting scandals happening in big firms, for example, Enron. This standard provides some critical components for practitioners regarding how to identify the warning signs of fraud. In explaining the warning signs of fraud, the standard refers to the concept of the fraud triangle. Then in 2006, the “International Federation of Accountants” (IFAC) followed the footsteps of AICPA in adapting the fraud triangle’s concept. It is because the theoretical frameworks proposed in the fraud triangle are seen as appropriate guidance for auditors and accountants in fulfilling their duties. The standard describes the signs of circumstance, allowing an individual to commit management fraud, which is referred to the concept of the fraud triangle. It is clearly stated to help auditors to understand how and why fraud is committed. It is also believed that it helps the organisation to take proactive measures in dealing with the causes of fraud before it happens.

While the concept of fraud triangle receives considerable attention from professional communities, many scholars criticise of the application of Cressey’s (1953) work, for example, Murphy and Dacin (2011). They argue, the motives such as “financial (e.g., money), pressure (e.g., the pressure to retain their job), or social (e.g., the desire to retain or gain respect or enhance their self-esteem and status)” which are in the concept of fraud triangle categorised as incentive/pressure are not necessary conditions to influence people to commit fraud. This is because types of fraud vary and require different pathways to explain the factors that provoke someone to commit fraud. They suggest that there are other distinct psychological influences affecting fraudulent behaviour, such as “lack of awareness,” “intuition coupled with rationalisation,” and “reasoning.” Moreover, the attractiveness of opportunity is needed but not mandatory for a potential fraudster to defraud the organisation (Schuchter and Levi, 2016).

Prior to these criticism, other research shows that the fraud triangle is not a primary causal factor of fraud. Ashforth and Anand (2003) argue that dishonest behaviours in organisation were profoundly influenced by a set of critical relationships that underlie the complexity of opportunistic phenomena in day-to-day organisational activities. The impetus for perpetrating fraud, especially corruption, is a unique set of ethical choices. As explained by Ashforth and Anand (2003), in a collaborative environment mutually reinforcing processes bring a significant impact on normalising dishonest or fraudulent conduct. Ashforth and Anand (2003) also propose that when corruption becomes normalised, social norms systematically may support the widespread use of corrupt business practices. It seems promising to include self-reinforcing dynamics in the theorising of fraud causation. As fraud grows and intensifies within an organisation, it is a positive sign that the development of the

fraud triangle paradigm requires an integration of both the political behaviours within and outside organisation, see Brown and Mitchell, (2010). Brown and Mitchell, (2010) study not only at the macro level, but also in organisations as well as in inter-organisational arrangements such as social network settings in discussing the emergence and maintenance of unethical practices.

The fraud triangle provides professionals with some guidance. One of its major contribution is the increased auditors sensitivity to issue of fraud (e.g., LaSalle, 2007; Albrecht et al. 2008). Yet the fraud triangle's development is underdeveloped and its implication is restricted to explain partial fraud perpetrated by a single offender. This concern is also highlighted by Rabeea et al. (2018) that the theoretical framework in the fraud triangle is *only* focused on a single psychological dimension of fraud perpetrator who is acting alone. As a consequence, the implication of the fraud triangle is limited especially in organisational settings. Boyle et al. (2015) evaluate the applications of the fraud triangle and fraud diamond models¹. Specifically, they want to know the sensitiveness of auditors in assessing the critical fraud risks and the use of the fraud-related audit judgments in identifying vulnerabilities, by using two fraud models. The study shows, auditors in assessing fraud risks and formulating fraud risk judgments are affected by the types of fraud model used by auditors. Explicitly, auditors in assessing the fraud risk are more effective and productive by using a diamond fraud model rather than the fraud triangle model.

Authors have shown that there are other elements that matter rather than the simplified psychology of fraud perpetrators by Cressey (1953) leading to the fraud triangle. These other elements need to be considered if effective fraud management is to be achieved. For example, we are doubtful if the concept of the fraud triangle can be applied to explain unethical pro-organisational behaviour as described by Umphress and Bingham (2011) and Umphress et al. (2010). The two components of fraud triangle such as “financial pressure” and “opportunity” are not critical aspects on understanding why people offend. In the unethical pro-organisational behaviour, the linkages between macro-and micro-levels of influence to offend are complex. For example, Alempaki et al. (2019) find that friendship can be a critical driver of employees' decision to behave unethically. Friendship has strong power to trigger feelings of indebtedness and as such gaining an individual's compliance with a request to engage in unethical behaviour (Umphress et al. 2010). Therefore, we need to deepen and broaden the concept of fraud. So there is a need to develop better fraud theories identifying new causal factors of organisational fraud.

¹ Fraud diamond is an extension model from fraud triangle by introducing “capability” as the forth component (Wolfe and Hermanson, 2004)

Fraud and other crimes – how to differentiate them?

Fraud is a unique type of unlawful act. To understand the differences between fraud and other crimes, it is necessary to look at a sample of definitions of fraud.

ACFE defines fraud as “a knowing misrepresentation of the truth or concealment of a material fact to induce another to act to his or her detriment” (Matthews, 2020).

. . . “wrongful or criminal deception aimed to result in financial or personal gain” (Sahin et al. 2013).

“obtaining something of value or avoiding an obligation by means of deception” (Duffield and Grabosky, 2001).

Deception to dishonestly make a personal gain for oneself and/or create a loss for another, perpetrated by highly educated person with superior technical abilities or knowledge (ACFE, 2018).

As we can see, those definitions have similar themes about what fraud is. The themes are clustered around deliberate conduct, which is to obtain money or equivalent to money by using concealment, astuteness, or other unfair means. Predominantly such acts are committed by ‘highly educated person.’ These characteristics present the boundaries of fraud or establish the differentiation of fraud from other types of crime.

Some authors (i.e. Ramamoorti 2008) suggest that fraud is another example of anti-social behaviour. Ramamoorti (2008) categorised both as criminal behaviour and manifestations of human’ psychological problems. The Ramamoorti’s (2008) work focuses on the motivations of fraud perpetrators from behavioural and psychological science standpoints. He notes the rationale for individuals who commit fraud is because of the contradictions between the triumphs and the human mind. So, individual with psychopath personality may infiltrate and wreak havoc on corporations (p. 529).

There is not sufficient evidence to suggest that mental disorder or psychopathic personality has a direct trigger of an individual’s decision to perpetrate fraud. Since it is, by its nature, difficult to be observed. Whether a person is psychopath or not, they must have been ‘trusted’ to access organisational assets (Cressey, 1953) or/and have ‘capability’ of how to identify the opportunity, how to exploit it, and how to get away without being detected (Wolfe and Hermanson, 2004). Importantly, Ajzen (1991), in his Theory of Planned Behaviour, notes that “[. . .] personality traits have an impact on specific behaviours only *indirectly* by influencing some of the factors that are more closely linked to the behaviour in question” (p. 181). So, the effect of dispositional factors, e.g., psychopathic personality on an

individual's intent to commit fraud, may be minor compared to various situational factors within the work environment. Situational factors are generally beyond the control of individuals, for example, managerial intervention.

We strongly argue that the logic in examining the relationship between psychopathic traits and the propensity to perform violent criminal cannot be used to explain the causal factors of fraud in the organisation. Thornton (1951) and Stone (2007) note that crimes perpetrated by a psychopathic person are viewed as either severe injury or death cases (e.g., murder, rape, and felonious assault). Psychopaths tend to do premeditated crimes without calculated risks. The super-ego function in psychopath impedes any option for dealing with stressful situations and erodes moral and ethical sensibility (Thornton (1951). A core feature of psychopaths is a lack of empathy for other people or a lack of guilt for their acts and is often associated with repeated delinquencies (Glenn and Raine, 2009). Due to such psychological attributions, psychopathic individuals are unable to differentiate 'what is right' and 'what is wrong' based on the accepted social norms in organisations or communities.

Therefore, it is reasonable to argue that a set of salient dispositional factors are not a better predictor of fraudulent intentions. It is because it does not have a powerful influence over the individual's intention. The basic premise of a fraud triangle theory is that people to commit fraud they must adapt to and create moral justification from their environment. At least, it is to avoid social and legal sanctions if their acts are being detected. Some researchers (e.g., Schuchter and Levi, 2015; Free, 2015; Cressey, 1953) argue that a psychological rationalisation or justification is vital for unanticipated future consequences, particularly in the field of fraudulent behaviour. It is a part of the foundation of human reasoning to calculate the difference between what is right and wrong. This discussion suggests some evidence that all criminal cases which are associated with a mental disorder, e.g., psychopathic traits, are less intellectual, or are denounced as predatory crimes or aggression. Thus, it becomes increasingly apparent at this point that trust violation or fraud is not be attributed to the concerns of mental disorder.

Is fraud an ethical issue?

Studying human behaviour in the fraud domain is something of a mystery. It is difficult to predict fraud. Individuals perpetrating occupational fraud, in general, are law-abiding citizens. They do not intend necessarily to become fraudsters. They enter an organisation with the intention voluntarily to accept and comply with the regulations, protocols, and codes of conduct of the organisation. They are ethically aware of a particular set or system of

linked organisational cultures, customs, and of a specified pattern of relating and behaving. Duh et al. (2010) opine it is imperative for organisations to create a moral environment for employees. Since it provides behavioural cues for an employee's ethical conduct and commitment to the goals of the organisation.

Research in the behavioural and psychological sciences has made clear that every individual tends to model the behaviour of others and becomes bound up with his/her group membership (Bandura, 1991). In a group setting, people typically take a stand based on a sense of who they are and where they belong. In many situations, employees often behave not only as an individual, but also as a member of their group where they work. Research shows, however, the decisions about doing what they perceive 'ethical' or 'unethical' relies on the moral judgments they make in their conduct (Brunton and Eweje, 2010). In inner processes, moral judgment arises based on an emphasis on reasons or rationalisations. We, therefore, agree with Trevino and Brown (2004) suggesting that individual's decisions to perform ethical or unethical behaviours depend much more on a standard of rationality, which is a product of conscious moral reasoning.

The more employees' interests conform with the group's interest, and the more likely they will cooperate with members of the group to engage in immoral purposes. Recent studies (e.g., Mesdaghinia et al. 2019; Wang et al. 2019) working on unethical pro-organisational behaviour provide evidence on the effects of the particular preferences of a group of people on individual's perceptions about unethical acts. The study suggests that unethical leadership is found as the art of persuading a follower to go beyond any organisation's code of proper conduct (Mesdaghinia et al. 2019). Subordinates with a robust psychological identity or connection are more likely to involve in unethical acts. Examples of subordinates' rationalisation described by Mesdaghinia et al. (2019) are "falsifying numbers to make the leader look good, helping the leader cover up his or her mistakes, and violating organisational policies to enable the leader to meet the bottom-line results." This view contributes to the understanding of the leadership's impact as a corresponding behaviour on subordinates' reasoning.

Is fraud an exceptional case?

To commit fraud or embezzlement is not as simple as it looks (Cressey 1950). The offenders in advance must be a trusted person. "Without trust" they do not have any access to organisational resources. Cressey (1950) argues the more the employee trusted the higher financial losses suffered by the organisation (p. 739). In his study, Cressey highlights persons

who engage in the violation of financial trust are predominantly come from loyal employees. The violators utilise the closeness of relationships. Cressey's (1950) study suggests that a large proportion of the cases which are related to criminal behaviours are closely related to the interactionist relationship. This means, people with trust relationships, such as love and friendship, feel safer to abuse their occupations for personal financial gain.

In addition, as Cressey explained, if people who are acting as subordinates do not have any intention to commit fraud, it does not mean they cannot be encouraged to get involved in such acts. In the Cressey's study interventions are seen to be an effective form to change people's intention and behaviour. Interventions from people who have power prescribe changes for subordinates in a style that may be perceived as being told what to do. Much of which happens due to the influences of favourable stimuli (typically under highly controlled conditions). Cressey's (1950) argues that stimuli, for example, offering a private solution to the personal problem which is categorised as a non-shareable problem plays a vital role in how an employee feels and behaves.

Even though Cressey does not mention and explain the interaction between moral judgment and violation of financial trust, his discussion suggests that people are strongly motivated to use of practical reasoning about what morally they ought to do. It emphasises the interplay between the quality of cognitive reasoning and the structure of the environment. Both notions fundamental help people to decide what they have to do. How they reason about what they have to do is determined by the existence of opportunities in the organisation and the quality of stimuli that reinforce people to do what they have to do.

Based on this background, it implies that the variation of individuals' capability to exercise impulses and emotions accounts for individual differences for engaging in fraudulent activities. In other words, whether their fraudulent activity is categorised as a misdemeanour, it centres on the self-regulation in terms of causal moral reasoning and propensity to take advantage of criminal opportunities. The more people learn about criminal opportunities, and the more they are rationally convinced, the more likely it would be they commit fraud.

Conclusion

This study proposes a critique that problematises the use of dispositional factors or individual personality traits as the causal factors of fraud in the organisation. Scholars who have research interests with fraud issues should not directly adapt the underlying reasoning used in criminological and sociological domains. To describe fraud causation in the

workplace needs a different approach. Fraud is an exceptional crime which has unique characteristics that cannot be found in other (violent) crimes. One of the basic distinctness is that people who want to perpetrate fraud, at least, have to take into account a set of beliefs in the workplace. As such we argue that a general theory of crime (Gottfredson and Hirschi (1990), which is most adapted in fraud studies overstates the use of dispositional variable as the main cause of types of crime. Gottfredson and Hirschi (1990) neglect social position in the organisation when claiming that their theory can be applied for types of crime in explaining the antecedences of crimes.

Implication and Suggestion for further fraud studies

It is well-identified that Gottfredson and Hirschi's (1990) a general theory of crime is right in the principle to explain crime causation relating to juvenile delinquency. As previously argued, the idea of a lack of self-control that is seen as a decisive feature of who and why people engage in crimes is a consequence of imperfect early childhood lives (e.g., the child obtains a little in the way of love and attention). This theory places the commission of crimes as a product of personality, psychiatric, or learning deficiencies.

However the Gottfredson and Hirschi's (1990) contention is questionable when the construct of a low self-control claimed can be applied to explain all types of crime (e.g., organised fraud or corruption). We strongly believe that people raised in adverse childhood experiences are not guaranteed that they lead directly to committing a fraudulent act. This is because the propensity to commit fraud is not tied directly to an actor's level of self-control.

Many things should be done for the next studies by taking interdisciplinary lens. They should come to view fraud as something desirable or at least justifiable in any circumstance by considering the interactions of perpetrators' psychologies and situational factors in the organisation. A current study completed by Reurink (2018), exploring the phenomenon of fraud in the financial services industry, seems to neglect the moral dilemmas. The study suggests "close relationships" between internal and external actors as main causes of financial fraud. It is also illustrated in the Donelson et al.'s (2017) study suggesting that the reaction to defraud depends upon the existence of opportunity – (attributable to weak internal controls). It may be clear that the course of fraud action from those two studies is a reflection of a single causal factor.

In addition, the logics in those studies are similar with analysis for property crime (e.g., burglary, robbery, theft). The occurrence of a crime strongly depends on the conditions of the environment in which that offender is situated. As discussed earlier, fraud is a unique

type of offense. The level of opportunity is not a strong influence on the likelihood of such a kind of crime, particularly in collaborative fraud. We do not believe that opportunity as an external drive is a pre-condition for people to commit (collaborative) fraud in organisations. If the premise of opportunity as a cause of fraud is true, how could we explain it in unethical pro-organisational behaviour which has succeeded to attract great attention of academics? When multiple perpetrators conspire in a fraud scheme, the opportunistic cause of fraud provides little help or even fails in elucidating it.

Reference

Ajzen, I. (1991). The theory of planned behavior, *Organizational Behavior and Human Decision Processes*, 50 (2), 179-211.

Albrecht, W. S., Albrecht, C., and Albrecht, C. C. (2008). Current Trends in Fraud and its Detection, *Information Security Journal: A Global Perspective*, 17(1), 2-12

Albrecht (2014) Iconic Fraud Triangle endures Metaphor diagram helps everybody understand fraud, <https://www.fraud-magazine.com/article.aspx?id=4294983342>

Alempaki, D., Doğan, G., and Saccardo, S. (2019). Deception and reciprocity, *Experimental Economics*, 22(4), 980-1001

Anand, V., Tina, D.M., Murphy, P. (2015). The Continued Need for Diversity in Fraud Research, *Journal of Business Ethics*, 131 (4): 751-755.

Ashforth, B. E., and Anand, V. (2003). The normalization of corruption in organizations, *Research in Organizational Behavior*, 25, 1-52

Association of Certified Fraud Examiners (2018). Report to The Nations; Global Study on Occupational Fraud and Abuse, available at <https://s3-us-west-2.amazonaws.com/acfepublic/2018-report-to-the-nations.pdf>

Bandura, A. (1991). *Social cognitive theory of moral thought and action*. In W.M. Kurtines and J.L. Gewirtz (eds), *Handbook of Theories of Social Psychology*, Vol. 1. Hillsdale, NJ: Erlbaum.

Boyle, D. M., DeZoort, F. T., & Hermanson, D. R. (2015). The effect of alternative fraud model use on auditors' fraud risk judgments. *Journal of Accounting and Public Policy*, 34(6), 578–596.

Brown, M. E., Mitchell, M. S. (2010). Ethical and Unethical Leadership: Exploring New Avenues for Future Research, *Business Ethics Quarterly*, 20 (4): 583-616.

Brunton, M., and Eweje, G. (2010). The influence of culture on ethical perception held by business students in a New Zealand university, *Business Ethics: A European Review*, 19(4), 349-362

Choo, F., and Tan, K. (2007). An American Dream theory of corporate executive Fraud, *Accounting Forum*, 31 (2): 203-215.

Collins, R. E. (2010). The effect of gender on violent and nonviolent recidivism: A meta-analysis, *Journal of Criminal Justice*, 38 (4), 675-684

Cornell, D. G., Warren, J., Hawk, G., Stafford, E., Oram, G., and Pine, D. (1996). Psychopathy in instrumental and reactive violent offenders, *Journal of Consulting and Clinical Psychology*, 64(4), 783-790

Craig, J. M., Piquero, N. L. (2016). The Effects of Low Self-Control and Desire-for-Control on White-Collar Offending: A Replication, *Deviant Behavior*, 37 (11): 308-1324.

Cressey, D. R. (1950). The Criminal Violation of Financial Trust, *American Sociological Review*, 15 (6), 738-743

Cressey, D. R. (1953). *A study in the social psychology of embezzlement: other people's money*, Glencoe, Illinois: The Free Press.

Declercq, F., and Audenaert, K. (2011). A case of mass murder: Personality disorder, psychopathology and violence mode, *Aggression and Violent Behavior*, 16(2), 135-143

Donelson, D. C., Ege, M. S., and Mcinnis, J. M. (2017). Internal Control Weaknesses and Financial Reporting Fraud, Auditing: *A Journal of Practice & Theory*, 36(3), 45(25)

Dorminey, J., Fleming, A. S., Kranacher, M. J., and Riley, R. A. (2012). The Evolution of Fraud Theory, *Issues in Accounting Education*, 27(2): 555–579.

Dorminey, J., Fleming, A. S., Kranacher, M. J., and Riley, R. A. (2010). Beyond the fraud triangle. *The CPA Journal* (July): 16–23.

Duffield, G., and Grabosky, P. (2001). The Psychology of Fraud, *Trends & Issues in Crime and Criminal Justice*, 199, 1-6

Duh, M., Belak, J., and Milfelner, B. (2010). Core Values, Culture and Ethical Climate as Constitutional Elements of Ethical Behaviour: Exploring Differences Between Family and Non-Family Enterprises, *Journal of Business Ethics*, 97(3), 473-489

Free, C. (2015). Looking through the fraud triangle: a review and call for new directions, *Meditari Accountancy Research*, 23(2), 175-196

Gottfredson, M. R., and Hirschi, T. (1990). *A general theory of crime*. Stanford University Press.

Glenn, A. L., and Raine, A. (2009). Psychopathy and instrumental aggression: Evolutionary, neurobiological, and legal perspectives, *International Journal of Law and Psychiatry*, 32(4), 253-258

Holtfreter, K. (2005). Is occupational fraud typical? white-collar crime? A comparison of individual and organizational characteristics, *Journal of Criminal Justice*, 33(4), 353-365

LaSalle, R. E. (2007). Effects of the fraud triangle on students' risk assessments, *Journal of Accounting Education*, 25(1), 74-87

Levi, M. (2008). Organized fraud and organizing frauds: Unpacking research on networks and organization, *Criminology & Criminal Justice*, 8(4), 389-419

Lokanan, M. (2015), "Challenges to the fraud triangle: questions on its usefulness", *Accounting Forum*, 39 (3), 201-224

Lokanan, M. (2018). Theorizing Financial Crimes as Moral Actions, *European Accounting Review*, 27 (5), 901-938.

Matthews, J. G. (2020). Fraud Risk Management, available at https://www.acfe.com/uploadedFiles/ACFE_Website/Content/review/frm/01-Intro.pdf

Maulidi, A. (2020). Critiques and further directions for fraud studies: Reconstructing misconceptions about developing fraud theories, *Journal of Financial Crime*, 27 (2), 323-335.

Mcniel, D. E., Binder, R. L., and Robinson, J. C. (2005). Incarceration Associated With Homelessness, Mental Disorder, and Co-occurring Substance Abuse, *Psychiatric Services*, 56(7), 840-846

Mesdaghinia, S., Rawat, A., and Nadavulakere, S. (2019). Why Moral Followers Quit: Examining the Role of Leader Bottom-Line Mentality and Unethical Pro-Leader Behavior, *Journal of Business Ethics*, 159(2), 491-505

Monahan, J. (1992). Mental disorder and violent behavior: Perceptions and evidence, *American Psychologist*, 47(4), 511-521

Murphy, P. and Dacin, M. (2011), "Psychological pathways to fraud: understanding and preventing fraud in organizations", *Journal of Business Ethics*, 101 (4), 601-618.

Porter, S., Fairweather, D., Drugge, J., Hervé, H., Birt, A., and Boer, D. P. (2000). Profiles of psychopathy in incarcerated sexual offenders, *Criminal Justice and Behavior*, 27(2), 216-233

Power, M. (2013). The apparatus of fraud risk. *Accounting, Organizations and Society*, 38(6-7), 525-543.

Rabeea S., Judit, O., József, P., and Domicián M. (2018). An Investigation of the Influence of the Worldwide Governance and Competitiveness on Accounting Fraud Cases: A Cross-Country Perspective, *Sustainability*, 10(3), 1-11

Raine, A. (1993). *The psychopathology of crime: criminal behaviour as a clinical disorder*, London: Academic

Ramamoorti, S. (2008). The Psychology and Sociology of Fraud: Integrating the Behavioral Sciences Component Into Fraud and Forensic Accounting Curricula, *Issues in Accounting Education*, 23(4): 521-533.

Reurink, A. (2018). Financial Fraud: A Literature Review, *Journal of Economic Surveys*, 32(5), 1292-1325

Rossouw, G. J., Mulder, L., and Barkhuysen, B. (2000). Defining and Understanding Fraud: A South African Case Study, *Business Ethics Quarterly*, 10(4), 885-895

Sahin, Y., Bulkan, S., and Duman, E. (2013). A cost-sensitive decision tree approach for fraud detection, *Expert Systems with Applications*, 40(15), 5916-5923

Schuchter, A., and Levi, M. (2016) The Fraud Triangle revisited. *Security Journal*, 29 (2). 107-121.

Schuchter, A., and Levi, M. (2015). Beyond the fraud triangle: Swiss and Austrian elite fraudsters, *Accounting Forum*, 39, 176–187.

Soltani, B. (2014). The Anatomy of Corporate Fraud: A Comparative Analysis of High Profile American and European Corporate Scandals, *Journal of Business Ethics*, 120 (2): 251-274

Stone, M. H. (2007). Violent crimes and their relationship to personality disorders, *Personality and Mental Health*, 1(2), 138-153

Sutherland, E. H. (1940). White-Collar Criminality, *American Sociological Review*, 5 (1), 1-12

Teplin, L. A., Abram, K. M., & McClelland, G. M. (1994). Does psychiatric disorder predict violent crime among released jail detainees? A six-year longitudinal study. *American Psychologist*, 49(4), 335-342

Tittle, C., Ward, D., and Grasmick, H. (2003). Self-control and Crime/Deviance: Cognitive vs. Behavioral Measures, *Journal of Quantitative Criminology*, 19(4), 333-365

Transparency International (2011). Corruption in UK Local Government the Mounting Risks, available at <https://www.transparency.org.uk/publications/corruption-in-uk-local-government-the-mounting-risks/>

Trevino, L., and Brown, M. (2004). Managing to be ethical: Debunking five business ethics myths. *Academy of Management Executive*, 18(2), 69-83.

Thornton, N. (1951). The Relation between Crime and Psychopathic Personality, *The Journal of Criminal Law, Criminology and Police Science*, 42(2), 199 - 204

Umphress, E. E., and Bingham, J. B. (2011). When employees do bad things for good reasons: Examining unethical pro-organizational behaviors. *Organization Science*, 22, 621-640.

Umphress, E. E., Bingham, J. B., and Mitchell, M. S. (2010). Unethical behavior in the name of the company: The moderating effect of organizational identification and positive reciprocity beliefs influencing unethical pro-organizational behavior. *Journal of Applied Psychology*, 95, 769-780.

Wang, T., Long, L., Zhang, Y., and He, W. (2019). A Social Exchange Perspective of Employee-Organization Relationships and Employee Unethical Pro-organizational Behavior: The Moderating Role of Individual Moral Identity, *Journal of Business Ethics*, 159(2), 473-489

Wolfe, D. T., Hermanson, D. R. (2004). The fraud diamond: Considering the four elements of fraud, *The CPA Journal*, 38-42

Woodworth, M., and Porter, S. (2002). In Cold Blood: Characteristics of Criminal Homicides as a Function of Psychopathy, *Journal of Abnormal Psychology*, 111(3), 436-445